

# **AUDIT COMMITTEE OF THE BOARD OF DIRECTORS CHARTER**

## **COMPOSITION AND MEETINGS**

The Audit Committee assists the Board in fulfilling its oversight responsibilities. The Audit Committee shall consist of no less than three members of the Board of Directors, all of whom shall in the judgment of the Board of Directors be independent in accordance with applicable Securities and Exchange Commission (“SEC”) rules, New York Stock Exchange (NYSE) listing standards and the Company’s Corporate Governance Guidelines. Each member of the Audit Committee shall in the judgment of the Board of Directors be financially literate, as such qualification is interpreted by the Company’s Board in its business judgment, have a basic understanding of finance and accounting and be able to read and understand the Company’s fundamental financial statements. At least one member of the Committee shall in the judgment of the Board of Directors be an audit committee financial expert in accordance with the rules and regulations of the SEC, and at least one member (who may also serve as the Audit Committee financial expert) shall in the judgment of the Board of Directors have accounting or related financial management expertise in accordance with the NYSE listing standards. Any director who satisfies the SEC’s “audit committee financial expert” definition will be deemed to satisfy the NYSE’s “accounting or related financial management expertise” requirement, although the opposite may not be true.

The members of the Audit Committee shall be appointed by the Board on the recommendation of the Nominating and Governance Committee. The Board may, upon recommendation by the Nominating and Governance Committee, remove any Audit Committee member at any time, with or without cause.

The Audit Committee shall meet at least five times annually, or more frequently as circumstances dictate. Meetings may be called by the Chairman of the Committee, the Chairman of the Board or Chief Executive Officer, or a majority of the Committee. The Committee shall operate pursuant to the Bylaws of the Company, including Bylaw provisions governing notice of meetings and waivers of notice, the number of Committee members required to take actions at meetings and by written consent, and other related matters. The Committee shall meet privately in executive session at least annually with the General Counsel, the Chief Operating Officer and the Chief Financial Officer or Controller, and periodically with any other member of management they believe necessary, and at least quarterly meets privately with the Senior Vice President of the Company’s internal auditing department and also privately with the Company’s independent auditors. The Committee shall maintain minutes of its meetings and report its findings to the Board after each Committee meeting but not later than the next Board meeting.

## **PURPOSE**

The Audit Committee’s primary purpose is to:

- A. Assist the Board in its oversight responsibilities to shareholders, specifically with respect to:
  1. the integrity of the Company’s financial statements,
  2. the Company’s compliance with legal and regulatory requirements
  3. the independent auditor’s qualifications and independence, and
  4. the performance of the Company’s internal audit function and independent auditors; and

- B. Prepare the audit committee report required by the SEC's proxy rules to be included in the Company's annual proxy statement.

Except as otherwise required by applicable laws, regulations or listing standards, all major decisions are considered by the Board of Directors as a whole.

## **PRIMARY DUTIES AND RESPONSIBILITIES**

The Audit Committee's primary duties and responsibilities are to:

- A. Monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance and accounting.
- B. Monitor the independence and performance of the Company's independent auditors and internal auditing department.
- C. Provide a channel of communication among the Board, the independent auditors, internal auditors, management and other concerned individuals.
- D. As a committee of the Board of Directors, to assist the Board in meeting its fiduciary duties to shareholders and the Company.

The Audit Committee may conduct or authorize investigations into any matters within the Committee's scope of responsibilities, as defined by this Charter, and shall have direct access to the independent auditors as well as anyone in the Company.

## **SPECIFIC RESPONSIBILITIES AND DUTIES**

The specific responsibilities and duties of the Audit Committee are as follows:

- A. Oversight of Financial Reporting Process
  - 1. In consultation with management, the independent auditors and the internal auditors, review the integrity of the Company's financial reporting processes and internal controls, including the process for assessing risk of fraudulent financial reporting and detection of major control weaknesses. Review significant financial risk exposures, including off balance sheet financing, if any, and the steps management has taken to monitor and report such exposures. The Audit Committee shall review the policies and practices developed and implemented by management with respect to risk assessment and risk management. The Committee shall not be required to duplicate the review of risk management or risk assessment processes that are performed by the full Board of Directors, other Committees of the Board, and/or through mechanisms other than the Audit Committee, which mechanisms are established by Company practice or policy. These processes, reviews and mechanisms, however, should be reviewed by the Committee in a general manner. Review with the independent auditor any audit problems or difficulties, or significant findings prepared by the independent auditors, together with management's responses.
  - 2. Meet to review and discuss the Company's annual audited financial statements, including reviewing the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to filing or distribution, and discuss the same with management and the independent auditor. Recommend to the Board whether the audited financial statements should be included in the Annual Report on Form 10-K. Review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices and judgments. The Audit

Committee should consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

3. Review with financial management and the independent auditors the Company's quarterly and year-end financial results prior to the public release of earnings. The Audit Committee will discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. The discussion may be done generally by discussion of the types of information to be disclosed.
4. Meet to review and discuss the quarterly financial statements with management and the independent auditor, including reviewing the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to filing or distribution.
5. Review major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
6. Review analyses prepared by management or the independent auditor identifying significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
7. Review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements.
8. Review and ratify the charter of the Company's Disclosure Committee, and review the adequacy of the Company's Disclosure Controls and Procedures.

B. Appointment and Oversight of Independent Auditors

1. Directly appoint, retain, compensate, oversee, evaluate and terminate the Company's independent auditors. The Audit Committee shall confirm with the independent auditors that the auditors must report directly to the Audit Committee. The Audit Committee may obtain input from management, but is directly responsible for oversight of the independent auditors, including resolution of disagreements between management and the independent auditor. Although not required, the Audit Committee may, at its option, recommend that the Board submit the appointment of the independent auditors to the shareholders of the Company for ratification at the annual meeting in order to obtain the views of the shareholders. If the appointment is not ratified by the shareholders, the Audit Committee will reconsider its selection.
2. Pre-approve all non-audit services to be performed by the independent auditor in accordance with the Company's CM-9 policy.
3. At least annually, consider the independence of the independent auditor, including a review of any significant engagements of the independent auditors and all other significant relationships with the auditors that could impair their independence.
4. Set clear hiring policies for employees or former employees of the independent auditors.
5. Sole authority to approve all audit engagement fees and terms, as well as all significant non-audit engagements with the independent auditors. Review the amounts of fees paid to the independent auditors for audit and non-audit services.

6. Review with the independent auditors their audit plan, including the scope of their audit and general audit approach. The Committee may request or recommend supplemental review or other audit procedures as the Committee deems necessary.
7. Meet periodically, at least quarterly, without management present, with the Company's independent auditors to discuss the Company's cooperation with the independent auditors and other matters as deemed appropriate.
8. Prior to releasing year-end earnings, discuss with the independent auditors the results of the audit and certain other matters required to be communicated to audit committees in accordance with AICPA SAS 114.
9. At least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Company.
10. After reviewing the foregoing report and the independent auditor's work throughout the year, evaluate the independent auditor's qualifications, performance and independence, including the performance of the lead partner of the independent auditor. The Audit Committee shall assure regular rotation of the lead audit partner as required by law, and further consider whether, in order to assure continuing auditor independence, there should be regular rotation of the audit firm itself. The Audit Committee shall present its conclusions with respect to the independent auditor to the full Board.

C. Oversight of Internal Audit Department

1. Make certain the Company maintains an internal audit function that provides management and the Audit Committee with ongoing assessments of the Company's risk management process and system of internal control. Review the budget, plan, organizational structure, staffing and qualifications of the internal audit department.
2. Review any significant reports prepared by the internal audit department together with management's response and follow-up to these reports.

D. Other Audit Committee Responsibilities

1. Establish procedures for the receipt, retention and treatment of complaints received by the Company on accounting, internal accounting controls or auditing matters, as well as for confidential, anonymous submissions by Company employees of concerns regarding questionable accounting or auditing matters.
2. Review the scope, coverage and results of employee benefit plan audits with management.
3. Review the quality and depth of staffing in the Company's accounting, information services and financial departments, as needed.
4. Review the expenses of Company directors and the perquisites of executive officers.
5. Review any significant internal control improvements recommended by the independent auditors.

6. Annually prepare a report to shareholders as required by the SEC, covering the findings and recommendations of the Committee, and include the report in the Company's annual proxy statement.
7. Carry out any other specific assignment or activity consistent with this Charter, the Company's By-laws and governing law as the Board of Directors or the Committee deems necessary or appropriate.
8. Conduct an annual performance evaluation of the Audit Committee.
9. Review and reassess the adequacy of this Charter at least annually. Recommend any changes to the Charter to the Board of Directors for approval and have the Charter published in accordance with SEC regulations.

### **FUNDING AND ADDITIONAL RESOURCES**

The Company shall provide appropriate funding, as determined by the Audit Committee, for payment of compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The Audit Committee may also retain, at the Company's expense, and without seeking Board or Company approval, outside legal, accounting or other advisors it deems necessary to carry out its duties. The Audit Committee shall receive appropriate funding, as determined by the Audit Committee, from the Company for payment of compensation to the outside advisors employed by the Audit Committee, and for other ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. The Committee shall keep the Chairman of the Board advised as to the general range of anticipated expenses for outside consultants or ordinary administrative expenses.

### **Amendment History:**

Adopted by the Board of Directors: April 12, 1995  
Amended and restated: December 14, 1995,  
(deemed as of June 1, 1995)  
Amended December 16, 1999  
Amended March 21, 2002  
Amended July 21, 2003  
Amended March 25, 2004  
Amended March 22, 2005  
Amended March 18, 2010  
Amended March 23, 2011